# EXHIBIT B

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6 IN THE UNITED STATES DISTRICT COURT

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8 FOR THE NORTHERN DISTRICT OF CALIFORNIA

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10 ORACLE AMERICA, INC.,       No. C 10-03561 WHA

11     Plaintiff,

12   v.               **ORDER REGARDING**
                 **BILL OF COSTS**
13 GOOGLE INC.,

14     Defendant.

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16     Final judgment was entered in this patent-infringement action in June 2012. Now,

17 defendant Google Inc. seeks costs (excluding attorney's fees) of approximately four million

18 dollars. This amount is largely attributable to expert fees by court-appointed expert Dr. James

19 Kearl, and fees for electronic document discovery by third-party vendor, FTI Consulting, Inc.

20 For reasons stated below, Google's request is **GRANTED IN PART** and **DENIED IN PART**.

21     **1.**    **GOOGLE IS THE PREVAILING PARTY.**

22     "Unless a federal statute, these rules, or a court order provides otherwise, costs — other

23 than attorney's fees — should be allowed to the prevailing party." FED. R. CIV. P. 54(d).

24 Federal Circuit authority governs the determination of which party was the prevailing party in all

25 patent actions, regardless of whether there were also non-patent claims asserted. *Manildra Mill.*

26 *Corp. v. Ogilvie Mills, Inc.*, 76 F.3d 1178, 1181 (Fed. Cir. 1996). Even if the action results in a

27 mixed judgment, the district court must nonetheless pick one side as the "prevailing party" for

28 purposes of taxing costs. *Shum v. Intel Corp.*, 629 F.3d 1360, 1366–67 (Fed. Cir. 2010).

1        In *Shum*, the plaintiff sought (1) correction of inventorship for seven patents originally

2    issued to defendants and (2) $409 million in damages from state law claims, including breach of

3    contract, unjust enrichment, negligent misrepresentation, and intentional interference with

4    contractual relations. The plaintiff won on his co-inventorship claim for five of the seven patents

5    but lost on all his state claims for damages. Based on this mixed result, the Federal Circuit (in

6    a 2-1 split decision) affirmed the district court's finding that defendants were the prevailing party

7    for purposes of taxing costs. *Id.* at 1363–64.

8        Google was the prevailing party in this action. Oracle initially sought six billion dollars

9    in damages and injunctive relief but recovered nothing after nearly two years of litigation and six

10   weeks of trial. Oracle initially alleged infringement of seven patents and 132 claims but each

11   claim ultimately was either dismissed with prejudice or found to be non-infringed by the jury.

12   Oracle also lost on its primary copyright claim for Java APIs. While it is true that Oracle

13   prevailed on two minor, peripheral copyright claims, this win has not materially altered the legal

14   relationship among the parties. To sum up, the "action has not materially altered [Google's]

15   behavior in a way that directly benefits [Oracle]." *Id.* at 1364. Therefore, Google is the

16   prevailing party for purposes of taxing costs.

17       **2.    ORACLE HAS FAILED TO OVERCOME
           THE PRESUMPTION OF AWARDING COSTS.**

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19        Finding that Google was the prevailing party, however, does not end the inquiry.

     Regional circuit law guides the district court's discretion to award costs. *Manildra Mill. Corp. v.*

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     *Ogilvie Mills, Inc.*, 76 F.3d 1178, 1183 (Fed. Cir. 1996). Our court of appeals has held that:

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             Although Rule 54(d)(1) does create a presumption for awarding

22          costs to prevailing parties, it also places on the losing party the
             burden to show why costs should not be awarded. . . . Proper

23          grounds for denying costs include (1) a losing party's limited
             financial resources; (2) misconduct by the prevailing party; and (3)

24          the chilling effect of imposing high costs on future civil rights
             litigants, as well as (4) whether the issues in the case were close

25          and difficult; (5) whether the prevailing party's recovery was
             nominal or partial; (6) whether the losing party litigated in good

26          faith; and (7) whether the case presented a landmark issue of
             national importance.

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1  *Quan v. Computer Sciences Corp.*, 623 F.3d 870, 888–89 (9th Cir. 2010) (citations and

2  quotations omitted).  The district court has discretion to allocate costs where there was a mixed

3  judgment. *See Amarel v. Connell*, 102 F.3d 1494, 1523–24 (9th Cir. 1996).

4       Oracle has failed to overcome the presumption of awarding costs to Google.  The

5  judgment, although technically mixed, was overwhelmingly in favor of Google.  As discussed,

6  Oracle had sought billions of damages and injunctive relief but was awarded nothing.  While it is

7  true that a copyright issue presented, copyrightability of APIs, was of great importance to the

8  computer industry, this is not enough to deny costs.  The media attention following this case was

9  due in large part because Oracle crafted broad, and ultimately overreaching, claims of copyright

10  infringement.  A close follower of this case will know that Oracle did not place great importance

11  on its copyright claims until after its asserted patents started disappearing upon PTO

12  reexamination (indeed, Oracle's first damages report barely mentioned copyright claims).

13  Oracle did not bring its API copyright claim for the benefit of addressing "a landmark issue of

14  national importance," but instead fell back on an overreaching (albeit somewhat novel) theory of

15  copyright infringement for its own financial interests late in litigation.  On these facts, Oracle has

16  failed to overcome the presumption of awarding costs to Google.

17      **3.**    **DR. JAMES KEARL'S FEES.**

18       Google's bill of costs seeks nearly one million dollars in fees arising from the work of

19  court-appointed expert Dr. James Kearl.  Oracle objects.

20       After appointing Dr. Kearl as a FRE 706 expert, the Court granted the parties' stipulation

21  that Dr. Kearl's professional fees and expenses would be paid "one half by each party within

22  thirty days of receipt of each of his monthly invoices" (Dkt. No. 413 at 4).  This fee arrangement

23  was consistent with FRE 706, which provides that the court-appointed expert is to be paid "by

24  the parties in the proportion and at the time that the court directs — and the compensation is then

25  charged like other costs." FED. R. EVID. 706(c)(2).  Pursuant to 28 U.S.C. 1920, the Court may

26  tax "[c]ompensation of court appointed experts."  Thus, Dr. Kearl's fees are taxable costs.

27       Oracle argues that because the parties' stipulation and the order thereon were silent on

28  post-judgment taxing of Dr. Kearl's fees, that meant that Dr. Kearl's fees could not be taxed.

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1    Oracle's argument is unpersuasive.  The parties stipulated to make ongoing payments for one

2    half of Dr. Kearl's fees "within thirty days of receipt of each of his monthly invoices."  This

3    language of *ongoing* payments during trial suggests that the parties' fee arrangement was not

4    meant to control allocation of costs post-judgment.  The presumption of FRE 706(c)(2) is that

5    split fees paid during trial are charged like other taxable costs *after* judgment.  That presumption

6    was not rebutted by the language in the parties' stipulation.  Moreover, any confusion on this

7    point was clarified when the Court stated, in another order, that "Google may demand and

8    recover prompt reimbursement from Oracle for the portion identified by Dr. Kearl as attributable

9    to Dr. Cockburn's third report. . . . These reimbursement amounts *shall not be recoverable costs*

10   that Oracle may recover back in the event it prevails in this action" (Dkt. No. 702) (emphasis

11   added).  The clear implication of this was that Dr. Kearl's fees were otherwise recoverable to the

12   prevailing party as taxable costs pursuant to the FRE 706(c)(2).

13        **4.    E-DISCOVERY COSTS.**

14        Google's bill of costs seeks nearly three million dollars in fees incurred by e-discovery

15   vendor, FTI Consulting, Inc.  Oracle objects.

16        Pursuant to Section 1920, the Court may tax "fees for exemplification and the costs of

17   making copies of any materials where the copies are necessarily obtained for use in the case."

18   Our local rule has interpreted the statute to provide for "[t]he cost of reproducing disclosure or

19   formal discovery documents when used for any purpose in the case."  CIVIL L.R. 54-3(d)(2).

20   However, "fees for exemplification and copying are permitted only for the physical preparation

21   and duplication of documents, not the intellectual effort involved in their production."  *Zuill v.*

22   *Shanahan*, 80 F.3d 1366, 1371 (9th Cir. 1996) (quotations omitted).  In *Romero*, our court of

23   appeals held that the research, analysis, and distillation of data incurred in the preparation of

24   documents (as oppose to the costs of physically preparing the documents) were not taxable costs.

25   *Romero v. City of Pomona*, 883 F.2d 1418, 1427 (9th Cir. 1989).

26        The problem with Google's e-discovery bill of costs is that many of item-line

27   descriptions seemingly bill for "intellectual effort" such as organizing, searching, and analyzing

28   the discovery documents (*see, e.g.,* Dkt. No. 1220, Exh. B at 1, 2–4, 8–10).  Most egregious are

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1    attempts to bill costs for "conferencing," "prepare for and participate in kickoff call," and

2    communications with co-workers, other vendors, and clients (*see, e.g., id.* at 2, 9–10, 14). These

3    are non-taxable intellectual efforts.

4         Google contends that Oracle has waived this objection because it did not make specific

5    objections to each cost item. Google's argument is unpersuasive. Our local rules provide that

6    "[c]osts *shall* be taxed in conformity with . . . applicable statutes." LOCAL RULE 54-4 (emphasis

7    added). Moreover, the Federal Circuit, applying Ninth Circuit precedent, has held that the party

8    seeking costs has the burden of providing an itemized list with sufficient specificity. *In re Ricoh

9    Co., Ltd. Patent Litigation*, 661 F.3d 1361, 1368 (Fed. Cir. 2011). Google has not done so here

10   because many of its line-item descriptions are of non-taxable intellectual efforts. Therefore,

11   Google's request for fees incurred by its e-discovery vendor is denied.

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15        For the reasons stated, Google's request for $4,030,669 in costs is **GRANTED IN PART**

16   and **DENIED IN PART**. The request for $2,900,349 in e-discovery costs is denied. Other requests

17   for costs are granted.

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19        **IT IS SO ORDERED.**

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21   Dated:   September 4, 2012.

22                                              WILLIAM ALSUP
                                                UNITED STATES DISTRICT JUDGE

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**United States District Court**
For the Northern District of California

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